

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

VILLAGE OF HUBBARDSTON

Ionia County, Michigan

FINANCIAL STATEMENTS

March 31, 2007

VILLAGE OF HUBBARDSTON

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**BERTHIAUME
& COMPANY**

Certified Public Accountants



60 Harrow Lane
Saginaw, Michigan 48638

(989) 791-1555
Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Hubbardston,
Ionia County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Hubbardston as of and for the year ended March 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Hubbardston's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Hubbardston, as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Village of Hubbardston's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

July 31, 2007

BASIC FINANCIAL STATEMENTS

VILLAGE OF HUBBARDSTON

STATEMENT OF NET ASSETS

March 31, 2007

	<i><u>Governmental Activities</u></i>
Assets:	
Cash and investments	\$ 425,649
Receivables	20,917
Prepaid expenses	7,489
Capital assets:	
Nondepreciable capital assets	51,100
Depreciable capital assets, net	<u>815,874</u>
Total assets	<u>1,321,029</u>
Liabilities:	
Accounts payable	<u>5,146</u>
Total liabilities	<u>5,146</u>
Net assets:	
Invested in capital assets, net of related debt	866,974
Restricted for:	
Streets	144,048
Unrestricted net assets	<u>304,861</u>
Total net assets	<u>\$ 1,315,883</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HUBBARDSTON

STATEMENT OF ACTIVITIES

Year Ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/Programs					
<i>Governmental activities:</i>					
General government	\$ 51,647	\$ 4,435	\$ 3,865	\$ 75,000	\$ 31,653
Public safety	35,399	17,557	10,000	-	(7,842)
Public works	58,590	2,240	48,540	-	(7,810)
Recreation and culture	1,633	300	-	-	(1,333)
Total governmental activities	<u>147,269</u>	<u>24,532</u>	<u>62,405</u>	<u>75,000</u>	<u>14,668</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					33,473
Grants and contributions not restricted to specific programs					37,027
Unrestricted investment earnings					7,856
Special item - Gain on sale of capital asset					<u>2,959</u>
Total general revenues and contributions					<u>81,315</u>
Change in net assets					95,983
Net assets, beginning of year					<u>1,219,900</u>
Net assets, end of year					<u>\$ 1,315,883</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HUBBARDSTON

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2007

	<i><u>General Fund</u></i>	<i><u>Major Street</u></i>	<i><u>Fire</u></i>	<i><u>Community Center</u></i>
Assets:				
Cash and investments	\$ 280,170	\$ 96,286	\$ 6,856	\$ 3,189
Accounts receivable	-	-	7,042	-
Due from other governmental units	5,191	6,671	-	-
Prepaid expenditures	<u>3,197</u>	<u>-</u>	<u>4,144</u>	<u>148</u>
Total assets	<u>\$ 288,558</u>	<u>\$ 102,957</u>	<u>\$ 18,042</u>	<u>\$ 3,337</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	<u>\$ 1,720</u>	<u>\$ 46</u>	<u>\$ 716</u>	<u>\$ 2,640</u>
Total liabilities	<u>1,720</u>	<u>46</u>	<u>716</u>	<u>2,640</u>
Fund balances:				
Reserved for:				
Prepaid expenditures	3,197	-	4,144	148
Unreserved:				
General fund	283,641	-	-	-
Special revenue funds	<u>-</u>	<u>102,911</u>	<u>13,182</u>	<u>549</u>
Total fund balances	<u>286,838</u>	<u>102,911</u>	<u>17,326</u>	<u>697</u>
Total liabilities and fund balances	<u>\$ 288,558</u>	<u>\$ 102,957</u>	<u>\$ 18,042</u>	<u>\$ 3,337</u>

The accompanying notes are an integral part of these financial statements.

<i>Nonmajor Governmental Fund</i>	<i>Total Governmental Funds</i>
<u><i>Local Street</i></u>	<u></u>
\$ 39,148	\$ 425,649
-	7,042
2,013	13,875
-	7,489
<u>\$ 41,161</u>	<u>\$ 454,055</u>

<u>\$ 24</u>	<u>\$ 5,146</u>
<u>24</u>	<u>5,146</u>

-	7,489
-	283,641
<u>41,137</u>	<u>157,779</u>
<u>41,137</u>	<u>448,909</u>
<u>\$ 41,161</u>	<u>\$ 454,055</u>

VILLAGE OF HUBBARDSTON

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2007

Total fund balances for governmental funds \$ 448,909

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,642,605	
Less accumulated depreciation	<u>(775,631)</u>	<u>866,974</u>

Net assets of governmental activities \$ 1,315,883

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HUBBARDSTON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2007

	<i>General Fund</i>	<i>Major Street</i>	<i>Fire</i>	<i>Community Center</i>
Revenues:				
Property taxes	\$ 33,807	\$ -	\$ -	\$ -
State grants	39,267	37,289	-	-
Contributions from other units	-	-	10,000	-
Charges for services	-	-	17,306	-
Interest and rents	7,766	230	43	898
Other revenue	82,480	-	251	6,669
Total revenues	<u>163,320</u>	<u>37,519</u>	<u>27,600</u>	<u>7,567</u>
Expenditures:				
Current				
General government	18,419	-	-	18,870
Public safety	-	-	26,768	-
Public works	21,384	2,853	-	-
Recreation and culture	363	-	-	-
Other	6,715	-	-	-
Capital outlay	97,864	-	2,548	-
Total expenditures	<u>144,745</u>	<u>2,853</u>	<u>29,316</u>	<u>18,870</u>
Excess (deficiency) of revenues over expenditures	<u>18,575</u>	<u>34,666</u>	<u>(1,716)</u>	<u>(11,303)</u>
Other financing sources (uses):				
Transfers in	-	-	6,000	12,000
Transfers out	<u>(18,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(18,000)</u>	<u>-</u>	<u>6,000</u>	<u>12,000</u>
Net change in fund balances	575	34,666	4,284	697
Fund balances, beginning of year	<u>286,263</u>	<u>68,245</u>	<u>13,042</u>	<u>-</u>
Fund balances, end of year	<u>\$ 286,838</u>	<u>\$ 102,911</u>	<u>\$ 17,326</u>	<u>\$ 697</u>

The accompanying notes are an integral part of these financial statements.

<i>Nonmajor Governmental</i>	
<i>Fund</i>	<i>Total</i>
<i>Local</i>	<i>Governmental</i>
<i>Street</i>	<i>Funds</i>
-	\$ 33,807
11,251	87,807
-	10,000
-	17,306
117	9,054
-	89,400
<u>11,368</u>	<u>247,374</u>
-	37,289
-	26,768
1,029	25,266
-	363
-	6,715
-	100,412
<u>1,029</u>	<u>196,813</u>
<u>10,339</u>	<u>50,561</u>
-	18,000
-	(18,000)
-	-
10,339	50,561
<u>30,798</u>	<u>398,348</u>
<u>\$ 41,137</u>	<u>\$ 448,909</u>

VILLAGE OF HUBBARDSTON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2007

Net change in fund balances - total governmental funds \$ 50,561

Total change in net assets reported for governmental activities in the statement
of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is depreciated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	100,412	
Less depreciation expense	<u>(50,868)</u>	49,544

Governmental funds report proceeds from the sale of assets as a revenue.

However, in the statement of activities, these proceeds are recorded net
of the depreciated cost.

(4,122)

Change in net assets of governmental activities \$ 95,983

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF HUBBARDSTON

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Village of Hubbardston conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) has no component units and accordingly, the Village has not consolidated any entities into its financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the Village.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

VILLAGE OF HUBBARDSTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds. Major individual governmental funds and aggregated nonmajor funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the financial resources that are used for the maintenance and construction of the Village's major street system.

The **Fire Fund** is used to account for the financial resources used for operation of the Village's fire department.

The **Community Center Fund** is used to account for the financial resources that are used for the operation and maintenance of the Village's community center.

VILLAGE OF HUBBARDSTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments, if any, (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds, if any, are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories, if any, are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-40 years
Equipment	3-20 years
Infrastructure	20-50 years
Vehicles	10-20 years

Compensated Absences – The Village does not allow the carryover of unused sick or vacation days.

Long-term Obligations – In the government-wide financial statements long-term debt and other long-term obligations, if any, are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance, if any, for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

VILLAGE OF HUBBARDSTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Property taxes are levied and attached as an enforceable lien on July 1 each year based upon the assessed taxable valuation of property as of the preceding December 31. Taxes are due without penalty on or before September 15.

The 2006 taxable valuation of the Village totaled \$3,937,062 on which ad valorem taxes levied consisted of 8.5 mills for the Village’s operating purposes.

The delinquent real property taxes of the Village are purchased by Ionia and Clinton County.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Clerk submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

VILLAGE OF HUBBARDSTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Excess of Expenditures over Appropriations in Budgeted Funds :

During the year, the Village incurred expenditures that were in excess of the amounts budgeted as follows.

	<i><u>Amount</u></i> <i><u>Appropriated</u></i>	<i><u>Amount</u></i> <i><u>Expended</u></i>	<i><u>Variance</u></i>
Community Center Fund:			
General government	\$ <u>14,175</u>	\$ <u>18,870</u>	\$ <u>4,695</u>

NOTE 3: DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

The Village's deposits are subject to custodial risk, which is presented in more detail as follows:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to them. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$425,669 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$270,768 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

VILLAGE OF HUBBARDSTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

NOTE 4: CAPITAL ASSETS

Primary Government capital asset activity for the year ended March 31, 2007 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 36,100	\$ 15,000	\$ -	\$ 51,100
Depreciable capital assets:				
Buildings and improvements	94,643	60,000	-	154,643
Equipment	118,450	25,412	(7,275)	136,587
Infrastructure	1,185,000	-	-	1,185,000
Vehicles	115,275	-	-	115,275
	1,513,368	85,412	(7,275)	1,591,505
Accumulated depreciation	(727,916)	(50,868)	3,153	(775,631)
Total depreciable capital assets, net	785,452	34,544	(4,122)	815,874
Governmental activities, capital assets, net	\$ 821,552	\$ 49,544	\$ (4,122)	\$ 866,974

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 7,643
Public safety	8,631
Public works	33,324
Recreation and culture	1,270
Total governmental activities	\$ 50,868

VILLAGE OF HUBBARDSTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

NOTE 5: INTERFUND TRANSFERS

Interfund transfers reported in the fund statements were as follows:

<i><u>Funds Transferred From</u></i>	<i><u>Funds Transferred To</u></i>	<i><u>Amount</u></i>
<i>Major Governmental Fund:</i>	<i>Major Governmental Fund:</i>	
General Fund	Fire Fund	6,000
	Community Center Fund	<u>12,000</u>
		<u>\$ 18,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i><u>Governmental Activities</u></i>
Receivables:	
Accounts	\$ 7,042
Intergovernmental	<u>13,875</u>
Total receivables	<u>\$ 20,917</u>
Accounts payable:	
Accounts	\$ 5,146
Total accounts payable	<u>\$ 5,146</u>

VILLAGE OF HUBBARDSTON

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

NOTE 7: RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Village manages its workers compensation risk, by purchasing commercial insurance and its liability and property risk by participating in the Michigan Municipal League's Liability and Property Pool. The Village pays an annual premium for its workers compensation, property and liability insurance coverage. The Michigan Municipal Liability and Property Pool is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8: FUND EQUITY

Specific reservations of fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

NOTE 9: POST EMPLOYMENT BENEFITS

The Village currently has no post employment benefits

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF HUBBARDSTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 30,580	\$ 30,580	\$ 33,807	\$ 3,227
State grants	33,000	33,000	39,267	6,267
Interest and rents	400	400	7,766	7,366
Other revenue	11,850	93,571	82,480	(11,091)
Total revenues	75,830	157,551	163,320	5,769
Expenditures:				
Current				
General government	24,053	22,803	18,419	(4,384)
Public works	37,527	23,081	21,384	(1,697)
Recreation	2,550	550	363	(187)
Other	7,000	7,000	6,715	(285)
Capital outlay	1,000	97,917	97,864	(53)
Total expenditures	72,130	151,351	144,745	(6,606)
Excess (deficiency) of revenues over expenditures	3,700	6,200	18,575	12,375
Other financing sources (uses):				
Transfers in	13,000	13,000	-	(13,000)
Transfers out	(16,700)	(19,200)	(18,000)	1,200
Total other financing sources (uses)	(3,700)	(6,200)	(18,000)	(11,800)
Net change in fund balance	-	-	575	575
Fund balance, beginning of year	286,263	286,263	286,263	-
Fund balance, end of year	\$ 286,263	\$ 286,263	\$ 286,838	\$ 575

VILLAGE OF HUBBARDSTON

MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	<i><u>Budgeted Amounts</u></i>			<i><u>Actual</u></i>
	<i><u>Original</u></i>	<i><u>Final</u></i>	<i><u>Actual</u></i>	<i><u>Over (Under)</u></i>
				<i><u>Final Budget</u></i>
Revenues:				
State grants	32,000	32,000	\$ 37,289	\$ 5,289
Interest and rents	(135)	(135)	230	365
Total revenues	<u>31,865</u>	<u>31,865</u>	<u>37,519</u>	<u>5,654</u>
Expenditures:				
Current				
Public works	<u>3,192</u>	<u>3,192</u>	<u>2,853</u>	<u>(339)</u>
Total expenditures	<u>3,192</u>	<u>3,192</u>	<u>2,853</u>	<u>(339)</u>
Excess (deficiency) of revenues over expenditures	28,673	28,673	34,666	5,993
Fund balance, beginning of year	<u>68,245</u>	<u>68,245</u>	<u>68,245</u>	<u>-</u>
Fund balance, end of year	<u>\$ 96,918</u>	<u>\$ 96,918</u>	<u>\$ 102,911</u>	<u>\$ 5,993</u>

VILLAGE OF HUBBARDSTON

FIRE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
State grants	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Contributions from other units	10,000	10,000	10,000	-
Charges for services	9,900	9,900	17,306	7,406
Interest and rents	-	-	43	43
Other revenue	-	-	251	-
Total revenues	<u>21,900</u>	<u>21,900</u>	<u>\$ 27,600</u>	<u>5,449</u>
Expenditures:				
Current				
Public safety	33,882	31,282	26,768	(4,514)
Capital outlay	<u>-</u>	<u>2,600</u>	<u>2,548</u>	<u>(52)</u>
Total expenditures	<u>33,882</u>	<u>33,882</u>	<u>29,316</u>	<u>(4,566)</u>
Excess (deficiency) of revenues over expenditures	(11,982)	(11,982)	(1,716)	10,015
Other financing sources:				
Transfers in	<u>11,982</u>	<u>11,982</u>	<u>6,000</u>	<u>(5,982)</u>
Total other financing sources	<u>11,982</u>	<u>11,982</u>	<u>6,000</u>	<u>(5,982)</u>
Net change in fund balance	-	-	4,284	4,033
Fund balance, beginning of year	<u>13,042</u>	<u>13,042</u>	<u>13,042</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,042</u>	<u>\$ 13,042</u>	<u>\$ 17,326</u>	<u>\$ 4,033</u>

VILLAGE OF HUBBARDSTON

COMMUNITY CENTER FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	<i><u>Budgeted Amounts</u></i>			<i><u>Actual</u></i>
	<i><u>Original</u></i>	<i><u>Final</u></i>	<i><u>Actual</u></i>	<i><u>Over (Under)</u></i>
				<i><u>Final Budget</u></i>
Revenues:				
Interest and rents	\$ -	\$ -	\$ 898	\$ 898
Other revenue	<u>2,175</u>	<u>2,175</u>	<u>6,669</u>	<u>(4,494)</u>
Total revenues	<u>2,175</u>	<u>2,175</u>	<u>7,567</u>	<u>(3,596)</u>
Expenditures:				
Current				
General government	<u>8,175</u>	<u>14,175</u>	<u>18,870</u>	<u>4,695</u>
Total expenditures	<u>8,175</u>	<u>14,175</u>	<u>18,870</u>	<u>4,695</u>
Excess (deficiency) of revenues over expenditures	<u>(6,000)</u>	<u>(12,000)</u>	<u>(11,303)</u>	<u>(8,291)</u>
Other financing sources:				
Transfers in	<u>6,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total other financing sources	<u>6,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Net change in fund balance	-	-	697	(8,291)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 697</u>	<u>\$ (8,291)</u>

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF HUBBARDSTON

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2007

Current Taxes:

Property taxes	\$ 33,473
Administration fees	334
	<u>33,807</u>

State Grants:

State revenue sharing - sales tax	37,027
Metro Act	2,240
	<u>39,267</u>

Interest and rents:

Interest	7,466
Rents	300
	<u>7,766</u>

Other Revenue:

Sale of fixed assets	7,081
Contributions and donations	75,000
Reimbursements	4
Refunds and rebates	139
Other	256
	<u>82,480</u>
Total revenues	<u>\$ 163,320</u>

VILLAGE OF HUBBARDSTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2007

General Government:

Council:

Personnel	\$ 2,160
Fringe benefits	165
	<u>2,325</u>

Supervisor:

Personnel	1,685
Fringe benefits	129
Supplies	17
	<u>1,831</u>

Clerk:

Personnel	2,599
Fringe benefits	163
Supplies	66
	<u>2,828</u>

Treasurer:

Personnel	2,203
Fringe benefits	154
Supplies	191
	<u>2,548</u>

Elections:

Contracted services	133
Printing and publications	57
	<u>190</u>

Hall and Grounds:

Utilities	<u>1,708</u>
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Other Unallocated General Government:

Supplies	2,519
Contracted services	1,123
Telephone	671
Dues and memberships	881
Printing and publications	202
	<u>5,396</u>

Community promotion:

Supplies	418
Contracted services	1,175
	<u>1,593</u>

Total general government	<u>18,419</u>
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VILLAGE OF HUBBARDSTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2007

Public Works:

Department of Public Works:

Personnel	1,328
Fringe benefits	102
Supplies	7,934
Contracted services	3,872
Dues and memberships	35
Utilities	826
	<u>14,097</u>

Street Lights:

Utilities	<u>7,287</u>
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Total public works	<u>21,384</u>
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Recreation and Culture:

Parks and Recreation:

Repairs and maintenance	<u>363</u>
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Total recreation and culture	<u>363</u>
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Other:

Insurance and bonds	5,649
Payroll taxes	927
Workers' compensation insurance	<u>139</u>
Total other	<u>6,715</u>

Capital Outlay:

General government	75,944
Public works	19,917
Recreation	<u>2,003</u>
Total capital outlay	<u>97,864</u>

Total capital outlay	<u>97,864</u>
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Total expenditures	144,745
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Other Financing Uses:

Transfers to other funds	<u>18,000</u>
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Total expenditures and other financing uses	<u>\$ 162,745</u>
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REPORT ON INTERNAL CONTROL

To The Village Council
Village of Hubbardston

In planning and performing our audit of the financial statements of the Village of Hubbardston as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Hubbardston's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified deficiencies in internal control that we consider to be material weaknesses, as follows:

Bank Reconciliations

The Village Treasurer has not been preparing the monthly bank reconciliations as necessary for good internal control. The prompt preparation of bank reconciliations each month is necessary to verify the accuracy of the recording of receipt and disbursement transactions and related cash balance.

We recommend that the Village Treasurer promptly prepare bank reconciliations each month and agree the balance with the Clerk's record.

This communication is intended solely for the information and use of management, board of directors, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

July 31, 2007